



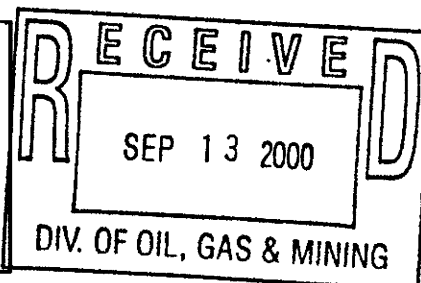
environmental consultants, inc.

8160 South Highland Drive • Sandy, Utah 84093 • Phone (801) 943-4144 • Fax: (801) 942-1852

M/023/007

FAX TRANSMISSION COVER SHEET

CORPORATE OFFICE
8160 SOUTH HIGHLAND DRIVE
SANDY, UT 84093
PH: (801) 943-4144
FAX #: (801) 942-1852

**Date:** September 13, 2000**Time:** 8:30 A.M.**To:** Wayne Hedburg - DOGM**Fax:** 359-3940**Subject:** Report of Damage to Overflow Pond Liner at North Lily Mining Company's Silver City Heap Leach Facility**From:** Robert Bayer

YOU SHOULD RECEIVE 4 PAGE(S), INCLUDING THIS COVER SHEET. IF YOU DO NOT RECEIVE ALL THE PAGES, PLEASE CALL (801) 943-4144

See attached letter.

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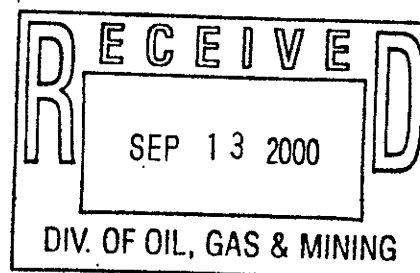
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September 12, 2000

Mr. Don Ostler, P.E.
Director
Utah Division of Water Quality
288 North 1460 West
P.O. Box 144870
Salt Lake City, Utah 84114-4870



Via Fax
(801) 538-6016

RE: Report of Damage to Overflow Pond Liner at North Lily Mining Company's Silver City Heap Leach Facility

Dear Mr. Ostler:

We are consultants to, and writing on behalf of, North Lily Mining Company. During the afternoon of Tuesday, September 5, 2000 the liner in the overflow pond at the Silver City facility was damaged by high winds. The remaining intact synthetic liner in the overflow pond had been the secondary, 30-mil PVC liner. High winds lifted the northwest corner of the liner resulting in several tears and exposure of the underlying clay liner on the side slopes of the pond in the vicinity of that corner. The water level in the pond at the time was quite low and the tears did not extend to the water level. No release of fluids from outside of the synthetic liner is believed to have occurred. Accordingly, and because the overall liner system as called for in the ground water discharge permit (UGW230001) has not been in tact for several years, we mistakenly failed to treat the liner damage episode as a non-compliance matter. For this reason, Mr. Shubert telephoned Mr. Doug Jensen of DOGM and left a voice message regarding the nature of the problem.

I did not notify DWQ in accordance with Part II L of the permit conditions. I apologize for this oversight. This letter shall serve as North Lily Mining Company's written notice (submitted within five business days of occurrence) of said non-compliance.

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Mr. Don Ostler, P.E.
Utah Division of Water Quality

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In accordance with Part II I. of the permit the following are provided:

- The description and cause of the liner damage is described above.
- I do not believe that "period of non-compliance" has occurred.
 - The discovery of the damage and the shutdown of the enhanced evaporation system, occurred immediately following attempts by Mr. Ewell to stop ongoing liner damage by the wind late Tuesday afternoon, September 5. As a result the ability of the pond to contain the fluids in the pond prior to the tear episode was not changed as a result of the episode.
 - The pond liner has not been intact and has been out of compliance with BMT for several years. The enforcement actions over that period focused on that issue, among others because the pond capacity was being more fully utilized during that time.
 - North Lily's recent request and DWQ's subsequent approval of the use of the overflow pond as a site for enhanced evaporation contains the condition that the water level in the pond be kept at or below four feet *in recognition of concerns with the condition of the PVC liner above that level.*
 - Since the depth of water in the pond has been maintained below the level of the liner tears during and following the wind episode, the matter of the period of non-compliance seems not to be an issue.
- Since we do not believe that we are in non-compliance, we do not expect non-compliance to continue for any period of time.
- The emitter array for the overflow pond enhanced evaporation system has been moved so that spraying will not occur in the vicinity of the liner tears in the northwest corner of the pond. The emitter system will be maintained to avoid spraying in the immediate vicinity of the tears so as to minimize sprays reaching the exposed clay liner. Currently it is planned that water levels in the northwest corner of the pond, which is the low corner of the pond, will be maintained below the level of the liner tears to enable ongoing use of the pond for enhanced evaporation. The water level in the pond will be checked at least three times daily (seven days per week) and the trash pump will be used to keep the water level in the pond below the level of the tears. The emitter system in the overflow pond will operate on a 24-hour-per-day basis so long as we are confident that sufficient capacity exists in the pond to retain the volume of water not lost to evaporation during the night. If there is any doubt that nighttime operation will jeopardize fluid containment, the overflow pond emitter system will not be operated at night.

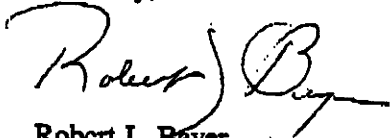
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Utah Division of Water Quality

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Under separate cover North Lily is also notifying DOGM of a Force Majeure pursuant to Section 14 of the Stipulation and Consent Order of July 2000.

Please call the undersigned with any questions you may have regarding this letter.

Sincerely,



Robert J. Bayer
Vice President

cc: Dennis Frederick, DWQ
Fred Pehrson, DWQ
Beth Wondimu, DWQ
Wayne Hedburg, Division of Oil Gas and Mining
Stephen Flechner, North Lily Mining Company
Mike Keller, VanCott Bagley